

Glossary of Terms



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bear and bull markets	A bear market is one in which prices are low or declining; a bull market is one in which prices are high or rising.
bear market	See bear and bull markets .
beneficial owner	A person who benefits from ownership of a security or mutual fund. Shares or title may be held by a bank or broker for safety and convenience, or in "street name" to expedite transactions, but the real owner is the beneficial owner. (See street name .)
best ask	The lowest quoted offer of all competing Market Makers to sell a particular stock at any given time. (See Market Maker .)
best bid	The highest quoted bid of all competing Market Makers to buy a particular stock at any given time. (See Market Maker , bid price .)
best-efforts underwriting	An investment bank, acting as an agent, agrees to do its best to sell an issue to the public, but does not make an outright purchase of the securities. (See underwriter .)
best-execution requirement	The obligation of Market Makers, broker/dealers, and others to execute customer orders at the best price available at the time the trade is entered. (See Market Maker .)
beta	A statistical measure of a stock's volatility compared with the overall market. A beta of less than 1 indicates lower risk than the market; a beta of more than 1 indicates higher risk than the market. (See volatility .)
bid price (buy price)	The quoted bid at which a Market Maker is willing to buy a stock. (See Market Maker , best bid .)
bid/ask spread	The difference between the price at which a Market Maker is willing to buy a security (bid), and the price at which the firm is willing to sell it (ask). The spread narrows or widens according to the supply and demand for the security being traded. (See inside quote , spread .)
block trade	A purchase or sale of a large quantity of stock, generally 10,000 shares or more.
blue-sky laws	State laws that require issuers of securities to register their offerings with the state before they can be sold to its residents. Most blue-sky laws include provisions relating to fraudulent activities and the licensing of people selling securities. Nasdaq National Market securities, subject to higher qualifications standards, are exempted from registration requirements under most states' blue-sky laws as are those listed on exchanges.
Board of Directors	The controlling bodies of NASD Regulation, Inc. and The Nasdaq Stock Market, Inc.
Board of Governors	The controlling body of the National Association of Securities Dealers, Inc.
bond	A long-term promissory note in which the issuer agrees to pay the owner the amount of the face value on a future date and to pay interest at a specified rate at regular intervals.

book manager or syndicate manager	See <u>syndicate manager</u> .
branch office	Any location identified by any means to the public or customers as a location at which an NASD member conducts investment banking or securities business.
broker	An individual or firm who acts as an intermediary between a buyer and seller, usually charging a commission. (See <u>dealer</u> .)
broker/dealer	NASD member firms that act as securities dealers or brokers, or perform both functions. (See <u>broker</u> , <u>dealer</u> .)
bull market	See bear and bull markets.
buy price	See bid price.
buy-side trader	An individual, such as a pension or mutual fund portfolio manager, who effects trades for an institutional investor. (See <u>sell-side trader</u> .)
by-laws	See NASD By-Laws.

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OCC	See Options Clearing Corporation
offer price	See ask or offer price
Office of Supervisory Jurisdiction (OSJ)	Any main or branch office of an NASD member where one or more of the following take place: order execution or market making; public offerings or private placements are structured; customers' funds or securities are held; new accounts are approved; customer orders are reviewed and endorsed; advertising or sales literature for use by the member's associated persons is approved; the activities of associated persons at other branch offices of the member are supervised.
open order	An order to buy or sell a security that remains in effect until it is either canceled by the customer or executed.
operations	The back office of a brokerage firm where all clerical functions having to do with clearance, settlement, and execution of trades are handled. (See clearance , prompt receipt and delivery of securities , settlement)
OPRA	See Options Prices Reporting Authority
option	An instrument that gives the owner the right to buy or sell a specified number of shares of a specified stock at a specified price within a specified period of time. A call option allows the buyer to purchase the underlying stock at any time up to the expiration date of the contract. A put option allows the buyer to sell the underlying stock at any time up to the expiration date of the contract.
Options Clearing Corporation (OCC)	The issuer of standardized options traded on exchanges. OCC is owned by the options markets.
Options Prices Reporting Authority (OPRA)	A joint industry plan that disseminates inside quotations and last sale data for options.
order flow	aggregated small orders to purchase or sell securities that brokers send to dealers often in return for cash payments.
order matching	The Market Maker practice of pairing buy and sell orders for like amounts of securities at identical prices. (See Market Maker , Small Order Execution System)
order ticket	A form completed by a registered representative of a brokerage firm upon receiving order instructions from a customer.
OSJ	See Office of Supervisory Jurisdiction
OTC	See over-the-counter securities
OTCBB	See OTC Bulletin Board Service
OTC Bulletin Board® Service	The OTC Bulletin Board® (OTCBB) is a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter (OTC) equity securities. An OTC equity security generally is any equity that is not listed or

traded on Nasdaq® or a national securities exchange. OTCBB securities include national, regional, and foreign equity issues, warrants, units, American Depositary Receipts (ADRs), and Direct Participation Programs (DPPs). The OTCBB is a quotation medium for subscribing members, not an issuer listing service, and should not be confused with The Nasdaq Stock MarketSM. OTCBB securities are traded by a community of Market Makers that enter quotes and trade reports through a highly sophisticated, closed computer network, which is accessed through Nasdaq Workstation IITM. (See American Depositary Receipt, Nasdaq Workstation IITM, (The) Nasdaq Stock MarketSM)

**out-of-pocket
loss**

The difference between the value of what the purchaser parted with, and the value of what he or she has received.

**over-the-
counter (OTC)
securities**

Securities that are not listed and traded on an organized exchange.

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AAA	American Arbitration Association
ACES	See Advanced Computerized Execution System
ACTSM	See Automated Confirmation Transaction ServiceSM
ADR	See American Depositary Receipt
Advanced Computerized Execution System (ACES)	Customized facility offered by the NASD that permits broker/dealers to automate their internal execution and record-keeping functions.
advertising review	A regulatory service provided by NASD Regulation to ensure that advertising and sales literature used by members conforms to NASDR and Securities and Exchange Commission standards of fairness and accuracy.
affirmative obligations	Requirements imposed on Nasdaq Market Makers by the NASD. These include quoting firm prices, making two-sided markets on a continuous basis, participating in the Small Order Execution System, and reporting price and volume data for each transaction in a Nasdaq security within 90 seconds of execution. (See Market Maker , Small Order Execution System , two-sided market)
aftermarket	Trading activity in a security immediately following its initial offering to the public.
agency order	An order that a broker/dealer executes for the account of a customer with another professional or retail investor and for which a commission is typically charged. (See principal orders)
American Depositary Receipt (ADR)	A U.S. security that is a repackaged foreign security. A U.S. bank creates an ADR based on evidence of ownership of a specified number of shares in the foreign security, while the underlying shares are held in a depositary in the issuing company's home country. U.S. investors may buy shares in the foreign company in the form of an ADR. The certificate, transfer, and settlement practices for ADRs are identical to those for U.S. securities.
AMEX	American Stock Exchange.
Amivest Liquidity Ratio	The Amivest Liquidity Ratio is one type of liquidity measurement which represents the dollar value of trading associated with a one percent change in share price. Amivest is the "creator" of this liquidity measurement. (See liquidity ratio)
analysts	See securities analyst
annual report (10 K)	Public companies are required to file an annual report with the Securities and Exchange Commission detailing the preceding year's financial results and plans for the upcoming year. Its regulatory version is called "Form 10 K." The report contains financial information concerning a company's assets, liabilities, earnings, profits, and other year-end statistics. The annual report is also the most widely-read shareholder communication. (See management's discussion and analysis)

answer	A respondent's written reply to a claim. (See arbitration , claim)
APTC	See Association of Publicly Traded Companies
arbitral immunity	Arbitrators are protected from suits arising out of their quasijudicial conduct in arbitration proceedings. (See arbitrator)
arbitrage	Arbitrage involves the simultaneous purchase of a security in one market and the sale of it or a derivative product in another market to profit from price differentials between the two markets. (See derivative)
arbitration	A method where conflict between two or more parties is resolved by impartial persons - arbitrators - who are knowledgeable in the areas in controversy. (See mediation)
arbitration counsel or arbitration administrator	The person at the sponsoring organization who handles administrative matters in arbitration proceedings. (See arbitration)
arbitrator	A private, disinterested person chosen to decide disputes between parties. (See arbitration)
Arbitrators Code of Ethics	A guide for the conduct and ethical responsibilities of arbitrators in commercial disputes.
ask price (offer price)	The price at which a Market Maker is willing to sell a security. (See Market Maker , best ask)
associated person	A person engaged in the investment banking or securities business who is directly or indirectly controlled by an NASD member, whether or not this person is registered or exempt from registration with NASD. Every sole proprietor, partner, officer, director, or branch manager of any NASD member.
Association of Publicly Traded Companies APTC, formerly NAOTC)	This organization, which is not connected with the NASD, provides publicly-traded companies with a forum for addressing regulatory and legislative issues that affect them.
auction market	Stock exchanges, like the New York Stock Exchange and the American Stock Exchange, are auction markets where buyers and sellers meet through a specialist. (See dealer market , Market Maker , specialist)
Automted Confirmation Transaction Service SM (ACT SM)	NASD service that allows parties to a telephone negotiation to speed the steps involved in completing a transaction.
award	The written determination of the arbitrator

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